

New Hampshire Department of Revenue Administration

Fiscal Impact Quick Guide*

12-2495.1

HB 1619, *relative to the assessment of property taxes on the value that exceeds \$50,000.*

House Municipal and County Government Committee

This bill creates a definition of “taxable value” under RSA 76:1-a, that exempts the first \$50,000 in assessed value of each and every parcel subject to tax. The bill would not affect the amount of revenue that is collected by the State or municipalities. There would be, however, a significant reapportionment of the tax burden in a manner that may violate the constitutional provision that taxes be laid in a manner which is proportional in value and uniform in rate.

Part II, Article 5 of the New Hampshire Constitution authorizes the General Court “. . . to impose and levy proportional and reasonable assessments, rates and taxes, upon all the inhabitants of, and residents within, the ... state.” Part II, Article 5 requires “. . . that all taxes be proportionate and reasonable, equal in valuation and uniform in rate, and just.” See First Berkshire Business Trust v. Commissioner, New Hampshire Dept. of Revenue Admin., 161 N.H. 176 (N.H. 2010)

Essentially, property owners would pay based on a different effective rate. For example, a person with a \$20,000 property and a \$50,000 property would pay the same effective tax rate (\$0.00). A person with a \$100,000 would pay a different effective tax rate ($\frac{\$100,000 - \$50,000}{\$100,000} \times \text{Rate}$).

The Department notes the NH Supreme Court has stated that:

When the legislature grants a tax exemption, the loss of tax revenue necessarily results in an increased tax burden upon other taxpayers. Nevertheless, the legislature retains liberal powers under the constitution with respect to the classification of taxable property, and “[e]xemptions are constitutional if they are supported by just reasons, and thereby reasonably promote some proper object of public welfare or interest,” In this context, whether the exemptions are supported by “just reasons” equates to rational basis review. (citations and quotations omitted)

In re Town of Rindge (New Hampshire Dept. of Environmental Services), 158 N.H. 21, 26 (N.H. 2008)

The Department is concerned, however, that there isn't an adequate "just reason" or a sufficient public purpose argument for an exemption that applies to everyone but produces variable or not uniform rates. The Department suggests a review by a constitutional tax attorney.

**A Fiscal Note was not published by the LBA on this bill. Therefore, this Quick Guide is simply an informal fiscal impact statement prepared by the Department of Revenue Administration.*